HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Barrie CMA

Canada Mortgage and Housing Corporation

Date Released: Spring 2009

New Homes Market

Market Continues to Ease

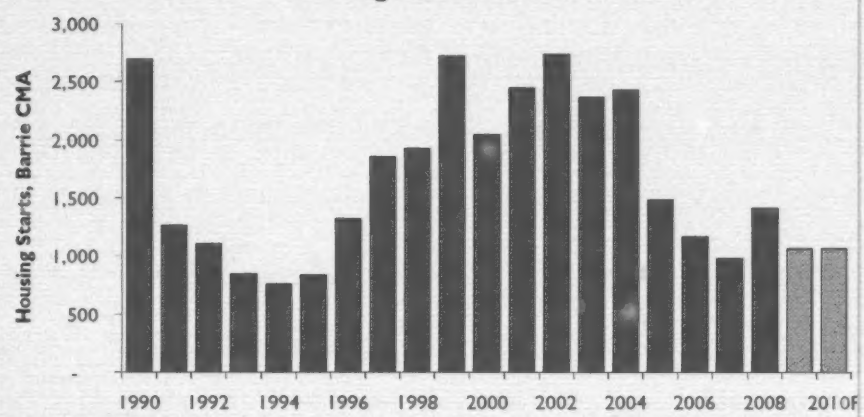
Total starts will decrease from the approximately 1,400 total starts last year. This year total starts will come in at just over 1,000, and remain unchanged next year.

Housing starts are expected to decrease not only given the weaker economic landscape, but also due to of decreased household formation.

Single-detached homes will continue to represent a majority of total new construction this year and next, but other housing types such as apartments will take up a bigger portion of the total new construction pie. This year approximately 640 new single-detached homes will be started, making up just over 60 per cent of all new construction with a similar figure and percentage ex-

Figure 1

Housing Starts Flatten



Source: CMHC forecasts

Table of Contents

1 **New Homes Market**
Market Continues to Ease

2 **Existing Homes Market**
Resale Market Feeling the Crunch

4 **Economy**
Economy Downshifts
Mortgage Rates

5 **Forecast Summary**

SUBSCRIBE NOW!

Access CMHC's Market Analysis Centre publications quickly and conveniently on the Order Desk at **www.cmhc.ca/housingmarketinformation.** View print, download or subscribe to get market information e-mailed to you on the day it is released. New ! CMHC's electronic suite of national standardized products is now available for **free**.

Canada

CMHC SCHL

HOME TO CANADIANS

pected in 2010. New construction other than single-detached homes will see gradual increases this year and next each year, moving closer to 40 per cent of all new construction. In terms of total numbers, apartments will make up the majority of construction other than singles with just over 300 units this year and virtually the same number next year.

The shift towards apartments away from traditional single-detached houses can be explained as follows: demographics, the economy, and, to some extent, legislation.

With a young population, first time buyers are a significant part of the new market in Barrie. Condominiums, both apartments and rowhouses, are an affordable entry point into homeownership and given the slowing economy and rising uncertainty, these new homebuyers with limited equity are increasing the trend towards new housing that is not single-detached homes. Also, with legislation in place that stipulates increased new construction in a metropolitan region's urban core, the decision to develop higher density housing becomes a frequently preferred option.

Finally, another reason for decreased new single-detached construction is the relatively high inventories of newly constructed but unsold single-detached homes. Some new single-detached homes which have not sold are being rented, raising the proportion of singles in the rental market above what it is in many other cities. However, the number of new single-detached homes available for sale remains relatively high and is decreasing only at a gradual rate.

With a weaker economy and overall less demand for new housing, especially at the pricier end of the market, the average price of a new single-detached home will begin to decline. This year, the average new single-detached home price is expected to come in at just over $319,000, a decrease of about three per cent from 2008. A similar decrease is expected next year.

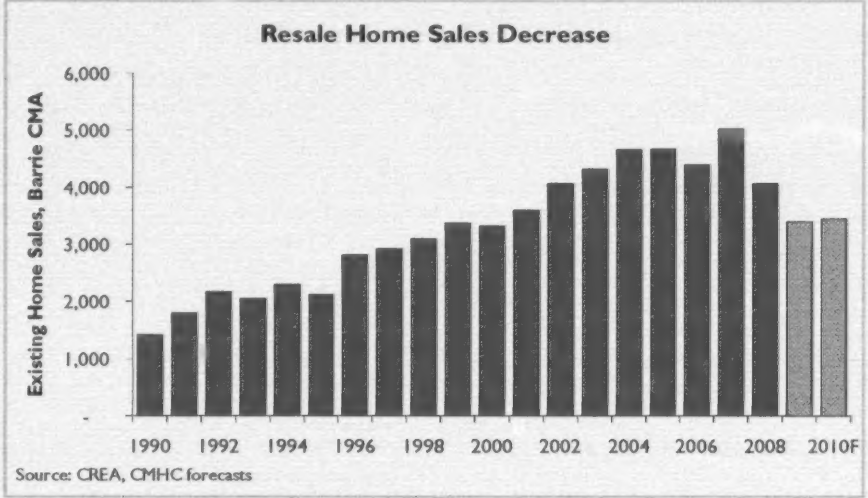
Existing Homes Market

Resale Market Feeling the Crunch

Existing home sales are expected to continue their double-digit contraction from last year and settle at just above 3,400 sales this year. Next year, with an improving economy, sales will still remain under 4,000 but increase slightly from this year's final tally. The robust sales for a number of recent years was driven by strong economic fundamentals and has given way to slower sales activity as the economy has begun to lose some of this strength. More people that otherwise would be looking to purchase are choosing to wait. As the economy begins to improve, especially after 2010, existing home sales will begin to gradually increase as people take advantage of improved affordability due to low mortgage rates and lower prices.

As Figure 3 shows, the gap between the actual average household income[1] in Barrie and the income required[2] for home ownership had been shrinking for several years. With better fundamentals in 2009 and 2010 (i.e., lower

Figure 2

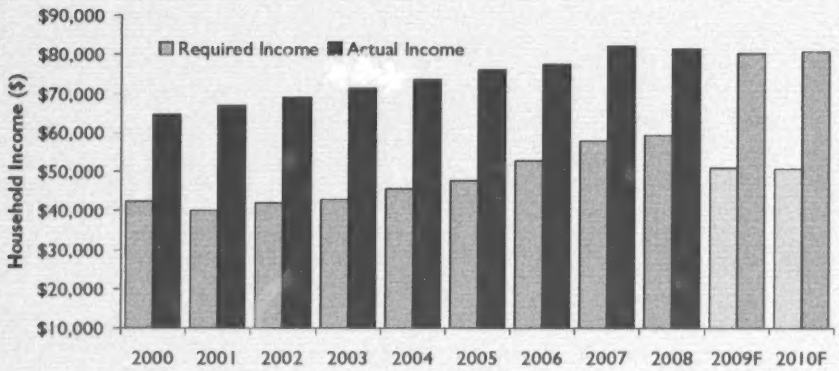


Source: CREA, CMHC forecasts

[1] CMHC estimates based on Census 2006 data.

[2] Mortgage carrying costs divided by .32 to reflect a 32 per cent gross debt service ratio. Carrying costs based on average MLS® price, 25 year amortization, 5 year posted fixed mortgage rate and ten per cent downpayment.

Figure 3



Source: CMHC forecasts

Average prices are expected to decrease over the next two years by three to five per cent. This year prices will decrease at a rate which is close to the Ontario average and will settle at just over $250,000. Next year the slowdown in prices should continue but prices should settle closer to current year levels.

Economy

Economy Downshifts

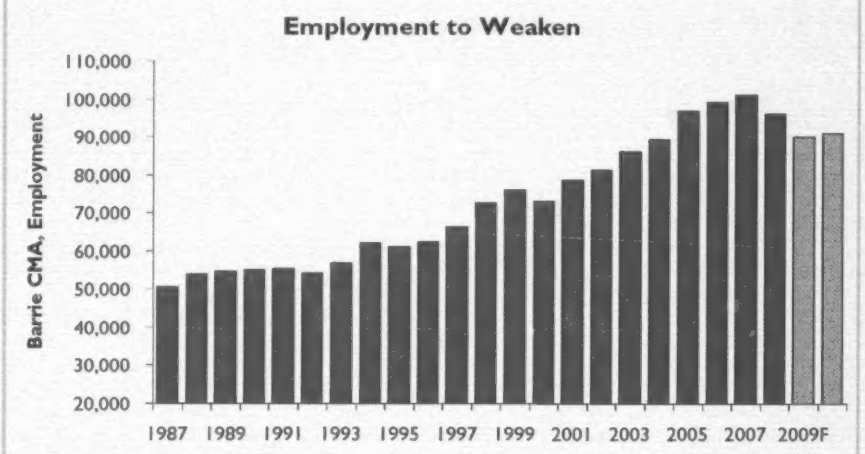
The Barrie labour force is expected to decrease by just under four per cent this year, but will show a gradual recovery next year. Domestic and international forces will cause the local labour market to continue to lose some steam, but next year a slight pick-up is expected as government stimulus begins to take hold.

mortgage rates, lower home prices) the gap between actual and required income will widen, making homeownership once again an attractive option for some families.

New listings will decrease from the record set last year. Some potential sellers have taken their homes off the market since the current economic adjustment is making it more difficult to sell at preferred prices. New listings will decrease by 12 per cent this year and are expected to move up slightly by about two per cent next year.

The sales-to-new-listings ratio (SNLR) reached 63 per cent in 2007, indicating the market clearly favoured sellers. Since then, the SNLR has begun to descend and indicate that the market balance. With sales dropping off more than new listings, the SNLR will come in this year at just over 47 per cent. Next year, despite the pick-up to both variables given an improving economy, the SNLR will remain very close to this year's ratio. With the SNLR entrenched firmly in balanced market territory, average existing home prices will continue to lose some of the previously gained momentum over this year and next.

Figure 4



Source: Statistics Canada, CMHC forecasts

Employment is expected to decrease by about six per cent from 2008, with a slight recovery next year. Despite the creation of some part-time jobs, the larger losses to full-time employment will keep the employed sector at subdued levels relative to recent history. Employment is down in both the goods-producing sector and the services-sector. Employment was down initially in the goods-producing sector due to the impact on exports of the strong Canadian dollar as well as lower external demand. This led to lower consumer spending generally, which in turn affected demand for services negatively. However, greater public spending on infrastructure will result in employment gains in the non-residential construction sector.

Both employment and the labour force will be losing some strength, but employment will feel more of the pinch. Consequently, unemployment will see an increase this year and end the year at 8.5 per cent. Next year, unemployment will stay elevated as the labour force begins to rebound much quicker than employment.

With more people looking for fewer jobs, employers are able to attract workers without offering higher wages. Average weekly earnings across all industries were down about one per cent in 2008. They are expected to see more deflation in 2009, but turn up slightly next year.

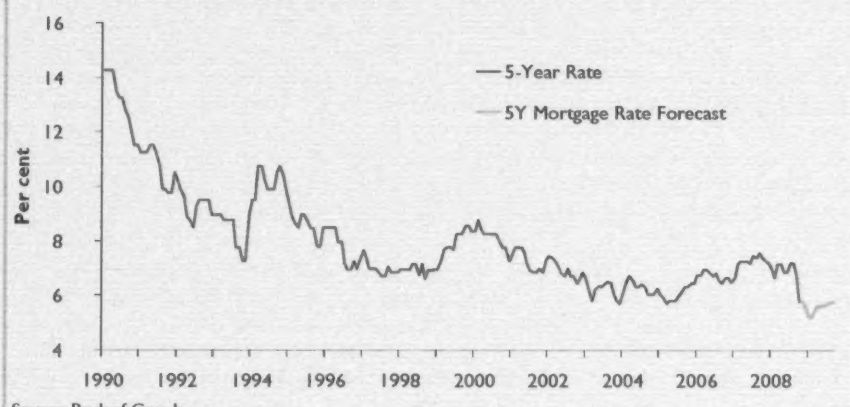
Net migration to the region will see a pronounced decline this year with another smaller decline expected in 2010. Given the weakness in the labour market, the region's appeal has declined to some extent and migration is unlikely to pick up before the economy begins to improve.

Mortgage Rates

Mortgage rates are expected to be relatively stable throughout 2009, remaining within 25-75 basis points of their current levels. Posted mortgage rates will increase very gradually during the course of 2010, reflecting a rise in government of Canada bond yields. For 2010, the one year posted mortgage rate will be in the 4.75-6.00 per cent range, while three and five year posted mortgage rates are forecast to be in the 5.00-6.75 per cent range.

Figure 5

Mortgage Rates Will Remain Low



Source: Bank of Canada

Forecast Summary Barrie CMA Spring 2009							
	2006	2007	2008	2009f	% chg	2010f	% chg
Resale Market							
MLS® Sales	4,397	5,017	4,058	3,410	-16.0	3,445	1.0
MLS® New Listings	8,001	7,871	8,212	7,200	-12.3	7,358	2.2
MLS® Average Price ($)	244,394	258,999	264,034	250,835	-5.0	242,555	-3.3
New Home Market							
Starts:							
Single-Detached	972	746	858	640	-25.4	630	-1.6
Multiples	197	234	558	422	-24.4	432	2.4
Semi-Detached	26	14	12	9	-25.0	12	33.3
Row/Townhouse	109	127	170	109	-35.9	118	8.3
Apartments	62	93	376	304	-19.1	302	-0.7
Starts - Total	1,169	980	1,416	1,065	-24.8	1,065	0.0
Average Price ($):							
Single-Detached	307,948	329,505	358,841	319,600	-10.9	314,800	-1.5
New Housing Price Index (% chg. Ontario)	3.7	2.6	3.5	n/a	-	n/a	-
Rental Market							
October Vacancy Rate (%)	2.8	3.2	3.5	3.0	-	3.1	-
Two-bedroom Average Rent (October) ($)	906	934	954	968	1.5	960	-0.8
Economic Overview							
Mortgage Rate (1 year) (%)	6.28	6.90	6.70	4.80	-	5.29	-
Mortgage Rate (5 year) (%)	6.66	7.07	7.06	5.64	-	5.94	-
Annual Employment Level	99,400	100,800	95,700	90,000	-6.0	91,000	1.1
Employment Growth (%)	2.4	1.4	-5.1	-6.3	-	1.1	-
Unemployment rate (%)	6.0	5.0	5.5	8.5	-	8.4	-
Net Migration (Simcoe County) (1)	7,255	6,509	6,500	4,500	-30.8	4,200	-6.7

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = apartments 3+
(1) 2007 migration data is forecasted

CMHC—HOME TO CANADIANS

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for more than 60 years.

Together with other housing stakeholders, we help ensure that the Canadian housing system remains one of the best in the world. We are committed to helping Canadians access a wide choice of quality, environmentally sustainable and affordable homes – homes that will continue to create vibrant and healthy communities and cities across the country.

For more information, visit our website at www.cmhc.ca

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274.
Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

The Market Analysis Centre's (MAC) electronic suite of national standardized products is available for free on CMHC's website. You can view, print, download or subscribe to future editions and get market information e-mailed automatically to you the same day it is released. It's quick and convenient! Go to www.cmhc.ca/housingmarketinformation

For more information on MAC and the wealth of housing market information available to you, visit us today at www.cmhc.ca/housingmarketinformation

To subscribe to priced, printed editions of MAC publications, call 1-800-668-2642.

©2009 Canada Mortgage and Housing Corporation. All rights reserved. CMHC grants reasonable rights of use of this publication's content solely for personal, corporate or public policy research, and educational purposes. This permission consists of the right to use the content for general reference purposes in written analyses and in the reporting of results, conclusions, and forecasts including the citation of limited amounts of supporting data extracted from this publication. Reasonable and limited rights of use are also permitted in commercial publications subject to the above criteria, and CMHC's right to request that such use be discontinued for any reason.

Any use of the publication's content must include the source of the information, including statistical data, acknowledged as follows:

Source: CMHC (or "Adapted from CMHC," if appropriate), name of product, year and date of publication issue.

Other than as outlined above, the content of the publication cannot be reproduced or transmitted to any person or, if acquired by an organization, to users outside the organization. Placing the publication, in whole or part, on a website accessible to the public or on any website accessible to persons not directly employed by the organization is not permitted. To use the content of any CMHC Market Analysis publication for any purpose other than the general reference purposes set out above or to request permission to reproduce large portions of, or entire CMHC Market Analysis publications, please contact: the Canadian Housing Information Centre (CHIC) at mailto:chic@cmhc.gc.ca; 613-748-2367 or 1-800-668-2642.

For permission, please provide CHIC with the following information:
Publication's name, year and date of issue.

Without limiting the generality of the foregoing, no portion of the content may be translated from English or French into any other language without the prior written permission of Canada Mortgage and Housing Corporation.

The information, analyses and opinions contained in this publication are based on various sources believed to be reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibility.

STAY ON TOP OF THE HOUSING MARKET

Enhance your decision-making with the latest information on Canadian housing trends and opportunities.

CMHC's Market Analysis Centre e-reports provide a wealth of detailed local, provincial, regional and national market information.

- Forecasts and Analysis – Future-oriented information about local, regional and national housing trends.
- Statistics and Data – Information on current housing market activities — starts, rents, vacancy rates and much more.

Free reports available on-line:

- Canadian Housing Statistics
- Housing Information Monthly
- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports - Canada and Regional
- Housing Market Outlook, Major Centres
- Housing Now, Canada
- Housing Now, Major Centres
- Housing Now, Regional
- Monthly Housing Statistics
- Northern Housing Outlook Report
- Preliminary Housing Start Data
- Renovation and Home Purchase
- Rental Market Highlight Reports
- Rental Market Reports, Major Centres
- Rental Market Statistics

Free regional reports also available:

- B.C. Seniors' Housing Market Survey
- Ontario Retirement Homes Report
- The Retirement Home Market Study, Quebec Centres
- Housing Market Tables: Selected South Central Ontario Centres
- Residential Construction Digest, Prairie Centres
- Analysis of the Resale Market, Quebec Centres

Get the market intelligence you need today!
Click www.cmhc.ca/housingmarketinformation to view, download or subscribe.

Client e-Update

A monthly e-newsletter that features the latest market insight, housing research and information to help housing finance professionals enhance client relationships and grow their business.

65712_2009_B01